March 19, 2007

Via Electronic Mail

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Attn: Richard Cole

IBM Corporation Comments in response to Notice of Proposed Rule Making, *"April 2007 Revision of the Patent Cooperation Treaty Procedures*", 72 Fed. Reg. 7583 (February 16, 2007)

IBM appreciates the opportunity to comment on the proposed rule making. Patents play a vital role in the global economy. International patent protection is an essential part of the foreign filing strategy for IBM to protect our valuable intellectual property assets. The ability to file a single Patent Cooperation Treaty (PCT) application claiming the benefit of a US national application while designating the United States Patent and Trademark Office (USPTO) as the International Searching Authority (ISA) has proven to be economical for businesses such as IBM that prefer the United States as the ISA. However, under the current proposal to significantly increase the costs associated with searching PCT applications, applicants may now have to choose between national markets and having their technology protected in the global market place. Although the Notice of Proposed Rule Making discusses four proposed substantive revisions to the rules of practice in title 37 of the Code of Federal Regulations, our comments are directed only to the proposal to revise the search fee for international applications.

Section 1.445 is proposed to be amended to set forth an increased international search fee that is stated to more accurately reflect the actual cost of conducting a search and preparing a Chapter I Written Opinion. Presently, the Office provides a reduced international search fee of $300.00 if the applicant has prior filed a corresponding nonprovisional application under 35 USC 111(a), and if the application was identified in the international application or Office correspondences. However, in the current Notice, the Office is proposing to revise the international search fee from $300.00 ($1000.00 if the applicant did not avail itself of the reduced fee provisions) to $1800.00, regardless of whether the applicant has filed a corresponding nonprovisional application under 35 USC 111(a), a corresponding provisional application under 35 USC 111(b) or no corresponding application application under 35 USC 111. Therefore, under the

proposed rules, an applicant who took advantage of the reduced fee provisions of the Rules will now be paying $1800.00, a $1500.00 fee increase.

The Office further justifies the fee increase by citing a Government Accountability Office (GAO) report released in 2003, *"Experts Advice for Small Businesses Seeking Foreign Patents"*, GAO-03-910, to support their position that the $800.00 increase in the international search fee is insignificant and not unduly burdensome. (See Notice at page 7586) However, a potential $800.00 or $1500.00 fee increase could significantly impact an applicant's intellectual property budget, especially if a subsequent search were required which would add another $1000.00 to the total filing cost.

The Office also takes the position that, amongst other things, an applicant filing an international application under the PCT in the United States Receiving Office of the USPTO has the option of electing the European Patent Office or the Korean Patent Office as the ISA instead, thereby limiting the impact of the search fee increase. But for the applicant who prefers the United States International Searching Authority, the almost doubling of fees may act as a deterrent and may cause applicants to cease using the United States as a searching authority Office.

Further, the Office also justifies the increase in fees due to the backlog of applications under 35 USC 111(a) and therefore feels that it is no longer appropriate to provide a reduced fee or other incentives for applicants to file an application prior to or simultaneously with the international filing. However, while we support the Office's goal of reducing the current application backlog, we feel that a fee increase of this nature is a matter of serious concern.

Additionally, in the proposals submitted by the United States to the Working Group on Reform of the Patent Cooperation Treaty, it was suggested in paragraph 5 that a reduced search/examination fee would be justified due to workload savings resulting from the combining of the search and examination. (See, PCT/R/WG/1/3: United States Proposals for Implementation of Proposals (6), (7), & (9) of the Proposals of the United States for PCT Reform (PCT/R/1/2) - Working Group on Reform of the Patent Cooperation Treaty, First Session, (Geneva, November 12-16, 2001).

In conclusion, we understand the Office's need to collect fees that accurately reflect the workload associated with the international search and preparation of the Chapter I Written Opinion, and support the Office's goal of reducing the application backlog. We also agree that increasing patent application examination efficiency and enhancing patent quality is beneficial to all. However, we submit that this current proposal should be further reviewed to determine the actual fee increase required to address the backlog and the workload issue at the USPTO. We further encourage the USPTO to continue to explore other alternatives to a fee increase such as the recent announcement by the Office regarding the extension of the Pilot Program with IP Australia wherein IP Australia provides search and examination services for International patent applications filed with the United States Receiving Office.

Respectfully submitted,

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